



HOUSE BILL 1936: Remove Sunset/ Priv. Sale Local Gov't Bonds

2009-2010 General Assembly

Committee:	House Commerce, Small Business, and Entrepreneurship, if favorable, Finance	Date:	June 9, 2010
Introduced by:	Rep. Owens	Prepared by:	Drupti Chauhan
Analysis of:	First Edition		Committee Counsel

SUMMARY: *House Bill 1936 would remove the sunset on the authorization to sell local bonds that are either not rated or rated below "AA" through a private sale.*

CURRENT LAW: Bonds issued by units of local government must be sold by the Local Government Commission after advertisement and upon sealed bids, unless it meets one of 9 statutory exceptions. Under current law, the following types of bonds may be sold at private sale:

- Bonds that a State or federal agency has previously agreed to purchase.
- Bonds for which no legal bid is received within the time allowed for submission of bids.
- Revenue bonds and special obligations bonds issued under G.S. 159-84.
- Refunding bonds issued under G.S. 159-78.
- Refunding bonds issued under G.S. 159-72 if the Local Government Commission determines that a private sale is in the best interest of the issuing unit.
- Bonds that result in a tax credit to the owners under federal income tax laws if the Local Government Commission determines that a private sale is in the best interest of the issuing unit.
- Project development financing debt instruments.
- **General obligation bonds issued under the Local Government Bond Act that have been rated by a nationally recognized credit rating agency at a credit rating below "AA" or are unrated if they are sold before December 31, 2010.**
- Bonds that are part of an issue in which the interest payment on some or all of the bonds is intended to be subsidized by payments from the federal government if the Local Government Commission determines that a private sale is in the best interest of the issuing unit.

BILL ANALYSIS: House Bill 1936 would remove the December 31, 2010 sunset on the private sale of obligation bonds issued under the Local Government Bond Act that have been rated by a nationally recognized credit rating agency at a credit rating below "AA" or are unrated.

EFFECTIVE DATE: The bill would become effective when it becomes law.

BACKGROUND: According to the State and Local Government Finance Division of the Department of State Treasurer, these types of bonds are a part of the American Recovery and Reinvestment Act of 2009 (ARRA) and that lifting the current sunset date would allow local governments to continue to take advantage of these instruments.

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